

VZCZCXRO6720
RR RUEHROV
DE RUEHDS #2981/01 2771415
ZNR UUUUU ZZH
R 041415Z OCT 07
FM AMEMBASSY ADDIS ABABA
TO RUEHC/SECSTATE WASHDC 8057
INFO RUCNIAD/IGAD COLLECTIVE
RUEHGV/USMISSION GENEVA 4034
RUCPDOG/DEPT OF COMMERCE WASHDC
RUEATRS/DEPT OF TREASURY WASHDC

UNCLAS SECTION 01 OF 02 ADDIS ABABA 002981

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E.O. 12958: N/A

TAGS: [ECON](#) [ETRD](#) [EINV](#) [EAGR](#) [ET](#)

SUBJECT: ETHIOPIA: DIASPORA BUSINESS CONFERENCE

¶1. SUMMARY: The World Bank, USAID, and Netherlands Embassy sponsored the first Diaspora Business Conference on September 19, 2007. The conference aimed to illustrate how the Diaspora community can benefit from investment opportunities in Ethiopia. Participants heard remarks from the GOE, the World Bank and successful Diaspora investors regarding current economic conditions as well as current and future business opportunities. Over 250 participants including representatives of the Diaspora (mainly came from the US, Germany and Australia), government offices, the private sector, associations, embassies and chambers of commerce participated. Although some questions were not answered, participants were generally enthusiastic. END COMMENT.

BACKGROUND

¶2. The State Minister for Trade and Industry Tadesse Haile opened the conference by highlighting lucrative business opportunities for investors. The Minister noted the national development strategy's recognition of the private sector as the engine of growth for Ethiopia's economy and a sustainable tool for addressing the problem of poverty. He argued that the GOE has taken various measures to improve the investment climate, update the trade policy, reduce regulatory burdens on business, and improve access to infrastructure. Minister Tadesse further noted the GoE's comprehensive program of reform over the past five years aimed at reducing the cost of doing business, promoting the competitiveness of local industries, and making Ethiopia attractive for foreign direct investment. Tadesse pointed out massive public investments in physical and social infrastructure including telecommunications, roads, power, education and training, and emphasized that the GOE is committed to dialogue with the private sector in order to continue improving the business climate in Ethiopia.

DIASPORA INVESTMENT IN ETHIOPIA
--DEMYSTIFYING THE PROCESS

¶3. Participants at the conference were briefed by several Diaspora members on their investment experiences in Ethiopia. Presenters included prominent members of the horticulture, textile and apparel, real estate, information technology and food and beverage industries. Additionally, a representative of the World Bank presented findings of its 2006 investment climate survey. The Diaspora presenters indicated that the investment climate in Ethiopia is attractive in terms of low competitive environment, duty free imports for capital goods and inputs for investment, tax holidays, and reduced cost of doing business, abundant labor force and climatic diversities. (Note: The World Bank's just released Doing Business report, which increased Ethiopia's rating to ninth in Sub-Saharan Africa in terms of ease of doing business, confirms the effectiveness of some of the GoE's reforms.)

INVESTMENT OPPORTUNITIES AND INCENTIVES
FOR THE DIASPORA

¶4. H.E. Abi W/Meskel, Director General of the Ethiopian Investment Agency, presented investment opportunities and conditions in Ethiopia. He highlighted opportunities in agriculture and related sectors, textiles, tannery and leather products, food and beverage, construction and tourism. He also indicated certain areas not open to Diaspora investment. Areas limited to GOE ownership include the transmission of electric energy, postal services, and air transport over 20 passengers. Banking, insurance, and freight forwarding are limited to investment by Ethiopian nationals only. Finally, he underscored Ethiopia's relative political, social and macroeconomic stabilities, comparative advantages and packages of investment incentives. A representative from Privatization and Public Enterprises Supervisory Agency gave an update on privatizations, stating that 242 companies have been transferred to private equity owners, 21 restituted to their previous owners and 9 leased. He also said 47 companies have been privatized in the last two years only and the Agency is planning to privatize 42 others in 2007/08 fiscal year.

UNANSWERED QUESTIONS

¶5. Following the presentations, participants raised questions regarding access to capital, reasons for restrictions on investment in aviation and banking and insurance, availability of land for cotton and other large-scale crops, and Diaspora rights in addition to investment. The Panelists responded to some of the questions, but referred most of them to the subsequent forum organized by the Ministry of foreign Affairs for the next day at the Millennium Hall at which senior government officials were expected to be present.

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¶6. COMMENT: While the conference achieved its goals of creating awareness about investment opportunities in Ethiopia, many participants remained skeptical about how conducive the investment environment, and supporting sectors, actually are. The government's outreach to diaspora communities is certainly a positive step in the right direction, but the Government's, regulatory authorities', and the judiciary's actions in support of the rule of law, contract sanctity, and in establishing a level playing field will provide the more convincing evidence to potential investors of the GoE's receptivity to, and support for, private sector led growth. END COMMENT.

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